

The Other Part of the Covid Recovery Deal

Clean energy was part of the package

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Over the weekend of Dec. 19, Congress came to an agreement on a massive year-end omnibus package that tackled COVID relief, government spending, tax provisions, and WRDA. The various components total around \$2.4 trillion in overall government spending which includes \$900 billion for emergency COVID response and \$1.4 trillion in appropriations spending for 2021. The much-needed Covid relief package provided a bridge to the New Year for workers and families who were facing the expiration of many critical aid programs. Under a new Administration, Congress must launch into another round of negotiations to secure a more robust and lasting relief and stimulus package in early 2021.



A final package of climate and energy provisions derived from the 2020 “energy bill” were attached to the omnibus. This agreement revolved around phase out of hydrofluorocarbons (a major climate victory), a reauthorization for the Diesel Emissions Reduction Act (DERA) program, and a large number of R&D authorizations across a range of technologies we support, including solar, wind, advanced geothermal, and marine energy, among others.

The HFC phaseout is the most important climate win in the energy-related legislation. It builds on an agreement, led by Senator Tom Carper and Congressional Chair Frank Pallone and joined by Senator Schumer and Speaker Pelosi, with Republicans. Together they introduced the American Energy Innovation Act with an amendment to phase out hydrofluorocarbons at a national level. The deal requires EPA to implement an 85 percent phase down of the production and consumption of HFCs, so they reach approximately 15 percent of their 2011-2013 average annual levels by 2036. This reduction level aligns with the goal the Obama Administration agreed to in the 2016 [Kigali Amendment](#).

Phasing out hydrofluorocarbons is essential to solving climate change, because they have become the fastest-growing greenhouse gases in the U.S. and are emitted annually at a rate exceeding the equivalent of 150 million metric tons of CO₂ — about 40 coal-fired power plants. Transitioning away from the use of HFCs will not only avoid an estimated half degree centigrade of climate warming globally but will spur the creation of safer technologies and the creation of thousands of new jobs in the United States.

Clean Energy Tax

Agreement on appropriations and relief legislation enabled Congress to also turn to a package of tax credits for inclusion in the overall omnibus bill. More in line with our advocacy, the final tax package is broader than simple one or two-year extensions for expiring clean energy credits. The deal contains a couple more clean energy wins than we originally anticipated. These all play a vital role in adding gigawatts of clean energy capacity to the grid and are critical for future administrative strategies focused on removing dirty generation and avoiding new gas:

- *Wind received a one-year extension on tax credits
- *Solar received a two-year extension or delay in its phase down
- *Efficiency: Commercial and multi-unit dwelling energy efficiency tax credits were made permanent; residential efficiency incentives extended one year
- *EVs: Electric vehicle charging infrastructure incentives received a one-year extension
- *Offshore wind will now receive a new 30% tax credit for the next five years

There were also a number of tax credit expansions that the Sierra Club and our allies advocated for, but which did not make the cut: longer-term durations for wind and solar incentives, refundability (also called direct pay), storage expansions, electric vehicle credit expansions, domestic manufacturing incentives, and high-road labor incentives.

Unfortunately, a number of technologies we oppose were also included: carbon capture and storage credits received a two-year extension, biomass and municipal solid waste were retained in the production tax credit, and biomass was added to a residential efficiency incentive program.

The bill will keep the government open until October 1, 2021, and will set the stage for the Biden administration to negotiate a better funding deal for Fiscal year 2022.

We have much more tax credit and other clean energy work to do in 2021, but a better environment in which to do it!